

December 5, 2000

Mary Cottrell, Secretary

Department of Telecommunications and Energy

One South Station, 2nd Floor

Boston, MA 02110

Re: Boston Edison Company, D.T.E. 00-82

Dear Secretary Cottrell:

On November 2, 2000, pursuant to G.L. c. 164, § 1A(a), 220 C.M.R. § 11.03(4) and the Restructuring Settlement approved in *Boston Edison Company*, D.P.U./D.T.E. 96-23 (1997), Boston Edison Company ("BEC" or "Company") filed with the Department of Telecommunications and Energy ("Department") its 2000 transition charge reconciliation filing.

In its filing the Company proposes several changes to its rates resulting in an overall increase of 4 percent or \$0.00394/kWh. Although the Company is decreasing its average transition charge to \$0.01397 from \$0.01890 and the Energy Efficiency and Renewables charges decrease as provided by statute to \$0.00270/kWh and \$0.00100/kWh

respectively, those increases are more than offset by the Company's increase in the average transmission charge to \$0.00538/kWh from \$0.00376, increase in the Standard Offer charge, excluding any fuel adjustment provision⁽¹⁾, to \$0.04902/kWh from \$0.04500 and the Company's proposed Default Service adjustment charge of \$0.00363/kWh. The Company requests an effective date for these changes of January 1, 2001.

On November 17, 2000, the Department issued a Notice of the Filing and Request For Comments. Pursuant to that notice, the Attorney General submits this letter as his Comments concerning the filing made by BECo.

The Company has proposed a major change to the methodology for calculation and reconciliation of the transition charge that is inconsistent with the Company's restructuring settlement approved by the Department in D.P.U./D.T.E. 96-23.⁽²⁾ *See* Exhibit BEC-BKR, pp. 8-16. This change in reconciliation methodology, in addition to being inconsistent with the settlement terms, will mask inappropriate shifts in responsibility for revenues as a result of significant shifts in customer usage patterns. Any such change may threaten the rate benefits mandated by the Restructuring Act and the Company's Restructuring Settlement Agreement.

The Company has introduced a default service adjustment affecting all customers, as well as including a lost distribution revenue adjustment to its transition charge. *See* Exhibits BEC-RAP-3 and BEC-BKR-2. Given the 15% rate discount mandated by the Legislature for all Standard Offer Customers and the significant increase in the cost of Standard Offer Service proposed by the Company here and in D.T.E. 00-70 as updated on December 1, 2001, the Department must review any new increases to the Company's rates as to their propriety and timing.

Finally, the Company proposes to increase its average transmission rate by more than 40% (from .376¢/kWh to .538¢). Exhibit BEC-HCL, p.7. According to Mr. Robinson's testimony, the proposed rate captures two changes that occurred in 1999 - BECo began to incur congestion management and uplift costs and the change from a stated rate to a formula cost of service rate occurred. Also, in 2000 FERC allowed the Company to bill customers based on a forecasted cost of service. Exhibit BEC-BKR-2, pp. 32-34. The

Department should review these charges carefully to determine the accuracy and propriety of the Company's cost allocations to retail customers and determine whether these customers are being treated equitably as the result of any wholesale rate settlements entered into by the Company and other of the Company's transmission customers. It is important to keep in mind that these rates are increasing at a time when customers are faced with very significant energy cost increases.

The Attorney General, after reviewing the Transition Costs included in the Year 2000 Transition Charge Reconciliation Filing, urges the Department to allow parties the opportunity to perform discovery and cross-examination of those persons supporting the Company's case. The specific areas of the Transition Charge costs that require investigation include the Fixed Component Costs, including final Pilgrim Divestiture costs and Contract Customer recoveries, the final costs associated with the Transition Charge Securitization, and confirmation of the determination of the Incentive Mechanism Payments. The Variable Component Costs that need to be investigated include conformation of the Purchased Power Contract Stranded Costs, the Employee Severance and Retraining Costs, the Payments in Lieu of Property Taxes, the Fuel Charge Reconciliation, and the Nuclear Operating Costs Independent Of Operation ("NCIO"). Other issues regarding the Transition Charge that must be investigated include the FAS 87 Pension and FAS 106 Post-Retirement Benefits Other Than Pension ("PBOPs") Contributions to Trust Funds and the proposed inclusion of "Lost" Distribution Revenues in violation of the Restructuring Settlement Agreement approved by the Department.

Consistent with Department precedent, the Attorney General requests that the Department initiate a formal adjudicatory hearing process concerning BECo's proposed reconciliations. *See Boston Edison Company*, D.T.E. 98-111 (December 31, 1998); *Boston Edison Company*, D.T.E. 99-107 (January 4, 2000). "[T]he Department must ensure that the proposed reconciliations are consistent with or substantially comply with the Electric Utility restructuring Act, Chapter 164 of the Acts of 1997 ("Act") the company's approved restructuring plan, applicable law, and Department precedent." *Boston Edison Company*, D.T.E. 98-111, p. 4 (October 19, 1999). Therefore, the Attorney General requests that the Department commence an investigation of BECo's reconciliations and proposed tariff changes.⁽³⁾

Sincerely,

Joseph W. Rogers

Assistant Attorney General

cc: William S. Stowe, Esq.

E. Michael Solman, Esq

Service List

1. The Company is seeking to increase its Standard Offer charge to recover a fuel adjustment factor. This matter has been separately docketed by the Department as D.T.E. 00-70.
2. Restructuring Settlement, Attachment 3, § 2.9 (a)(i).
3. It must be noted that the Company has failed to comply with Department Regulations regarding the filing of tariffs and rate schedules. The Department's rules require that the price be included on filed schedules as well as "other detail necessary for a complete understanding of the charges contemplated." 200 C.M.R. § 5.02(3)(b). The Company's proposed Standard Offer tariff (M.D.T.E. No. 946) should be revised to reflect the rate approved by the Department in D.T.E. 00-70. Furthermore, individual class tariffs should continue to include the standard offer rate rather than eliminate it as proposed by the Company. Department regulations also require bill impact comparisons be filed to "indicate the effect on billings of the customers served under the various rate classifications affected." 220 C.M.R. § 5.03(1)(b). The Company has filed only bill analyses by class comparing pre-RAD rates to proposed. Customers are entitled to have bill impact data available to them comparing current rates to those proposed. The Department should require the Company to comply with its regulations.